



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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No. 86/45

June 13, 1986

TO COUNTY ASSESSORS:

WELFARE EXEMPTION - PROPERTY OWNED BY A COLLEGE AND
USED BY QUALIFYING RELIGIOUS, HOSPITAL, SCIENTIFIC
OR CHARITABLE ORGANIZATION

Assembly Bill No. 266 (Chapter 542, Statutes of 1985) which became law effective January 1, 1986, added subdivision (e) to Section 214, Revenue and Taxation Code as follows:

"Property used exclusively for religious, charitable, scientific, or hospital purposes and owned and operated by religious, hospital, scientific, or charitable funds, foundations, or corporations or educational institutions of collegiate grade, as defined in Section 203, which property and funds, foundations, corporations, or educational institutions meet all of the requirements of subdivision (a), shall be deemed to be within the exemption provided for in subdivision (b) of Section 4 and Section 5 of Article XIII of the Constitution of the State of California and this section." (Emphasis added.)

Assembly Bill No. 2402 (Chapter 29, Statutes of 1986) which became law effective March 21, 1986, and is operative for the 1986-87 fiscal year and fiscal years thereafter added the following text to subdivision (e) as stated above:

"[...and this section.] As to educational institutions of collegiate grade, as defined in Section 203, the requirements of paragraph (6) of subdivision (a) shall be deemed to be met if both of the following are met:

- (1) The property of the educational institution is irrevocably dedicated in its articles of incorporation to charitable and educational purposes, to religious and educational purposes, or to educational purposes.

(2) The articles of incorporation of the educational institution provide for distribution of its property upon liquidation, dissolution, or abandonment to a fund, foundation, or corporation organized and operated for religious, hospital, scientific, charitable, or educational purposes meeting the requirements for exemption provided by Section 203 or this section." (Emphasis added.)

As the result of the addition of subdivision (e), property owned by educational institutions of collegiate grade, as defined in Section 203, as well as by religious, hospital, scientific (chartered by Congress or medical research), or charitable organizations, is eligible for the welfare exemption if the property is used exclusively for religious, hospital, scientific, or charitable purposes and if the property and organization(s) meet all of the requirements for the welfare exemption. Thus, property owned by a college and used by a church for religious purposes or used by a hospital for hospital purposes or used by a charitable organization for charitable purposes can qualify for the welfare exemption. But property owned by a qualifying religious, hospital, scientific, or charitable organization and used by a college for educational purposes of collegiate grade continues to be ineligible for the welfare exemption since educational purposes of collegiate grade are not religious, hospital, scientific, or charitable purposes.

FILING OF CLAIMS FOR EXEMPTIONS

For property to be eligible for the welfare exemption, both the owner/lessor of the property and the operator/lessee of the property must meet all of the requirements for the welfare exemption. For example, were a college to lease property to a hospital:

1. The owner (college) must file a claim for the welfare exemption for property leased to the qualifying operator (hospital). The college should include in the welfare claim all parcel(s) or portions thereof used by the hospital. Considerable care must be taken in reporting portions of parcels used for activities such as parking lots. The college must also file a claim for the college exemption for parcel(s) or portions thereof used exclusively for educational purposes of collegiate grade.
2. The operator (hospital) must file a claim for the welfare exemption for property that it leases from the owner (college), as well as for its owned personal property.

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3. The college and the hospital must meet all of the other requirements for the exemption, including those of Section 214(6), which require an acceptable statement of irrevocable dedication and dissolution clause, and those of Section 214.8, which require income tax exemption letters pursuant to Internal Revenue Code Section 501(c)(3) from the Internal Revenue Service and to Revenue and Taxation Code Section 23701d from the State Franchise Tax Board.

If you have questions, please contact William Grommet, Exemption Officer. His phone number is (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:wpc
AL-05-2672A